

IRS News Release

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Relief for Stimulus Payments Withdrawn from IRAs and Tax-Favored Accounts

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WASHINGTON — Economic-stimulus payments directly deposited into IRAs and other tax-favored accounts may be withdrawn tax-free and penalty-free, the Internal Revenue Service announced today.

This relief is designed to help taxpayers who may have been unaware that by choosing direct deposit for their entire regular tax refund, they were also choosing to have their stimulus payment directly deposited as well. If a taxpayer elected a split refund, however, their stimulus payment will be paid by a paper check.

This relief is available for amounts withdrawn from these tax-favored accounts that are less than or equal to a taxpayer's directly deposited stimulus payment.

To qualify for this relief, funds must be taken out by April 15, 2009, in most cases. Without this relief, taxes, penalties and other special rules would apply to amounts removed from these accounts. Regular refunds are not eligible for this relief.

Eligible tax-favored accounts include traditional and Roth IRAs, health savings accounts (HSAs), Archer MSAs, Coverdell education savings accounts (ESAs) and qualified tuition programs, also known as QTPs or 529 plans. Thus, for example, a taxpayer whose \$1,200 stimulus payment is directly deposited into his or her IRA can take out anywhere up to \$1,200 from the IRA, tax-free and penalty-free.

In general, the deadline for these withdrawals is the due date or extended due date for filing a 2008 return. This means April 15, 2009, for most taxpayers, or Oct. 15, 2009, for those who obtain tax-filing extensions.

Details on reporting these withdrawals and claiming relief will be included in tax forms and instructions for 2008. Other details are in Announcement 2008-44 on IRS.gov.